

GUIDE TO WISCONSIN

MANUFACTURING

PROPERTY ASSESSMENT



Wisconsin Department of Revenue
Division of State and Local Finance
Bureau of Property Tax
Manufacturing & Utility Section
2135 Rimrock Road
Madison, WI 53713-1443



Prop 065 (R. 4-05)

This guide was prepared to answer the most often asked questions regarding the assessment of manufacturing property in Wisconsin. The guide is separated into five sections:

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If you have any additional questions you should contact the Manufacturing District Office for your area. The district office boundaries, phone numbers, and addresses are shown on the map on page 9.

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INTRODUCTION

1. Why does the Department of Revenue assess manufacturing property?

In 1973, the Legislature enacted Section 70.995, which provides for the Department to be responsible for the assessment of manufacturing property. This was done to ensure uniform treatment and assessment of all manufacturers in the state.

At that time, the Legislature also enacted several laws to encourage industrial development and expansion in the state. Section 70.11(27), provides for the exemption of manufacturing machinery and equipment. Section 70.111(17), provides for the exemption of manufacturers' materials and finished products.

2. Does this mean that the state will collect my property tax?

No. Property taxes for manufacturers are calculated and collected by the municipality in which the property is located in the same manner and at the same rate as all other property.

3. If the state assesses my property will it be assessed the same as other properties that are not state assessed?

The Department is required to assess all property at full market value; which is what the property would sell for at arms-length sale. However, not all municipalities assess at market value. To maintain equity all manufacturing assessments are "equated" to the local level of assessment. For example, assume that your manufacturing property is valued at \$500,000 and the local municipality assesses all other property at 95 percent of full market value. Your assessment would be equated to \$475,000 ($\$500,000 \times .95$) prior to the time that the taxes are calculated. This ensures that you pay no more or no less taxes than nonmanufacturing property with the same market value.

4. Who is a manufacturer?

A manufacturer is an establishment engaged in the assembling, processing, fabricating, making, or milling of tangible personal property for profit. The Standard Industrial Classification Manual (SIC Manual), 1987 Edition, published by the U.S. Office of Management and Budget plays a major role in defining what businesses qualify as manufacturing for property tax purposes. Section 70.995(2) includes as manufacturing all the major manufacturing groups in the SIC Manual, plus five activities listed as nonmanufacturing in the SIC Manual, including: mining, photofinishing laboratories, scrap processing, waste paper processing, and hazardous waste facilities. Section 70.995(1)(d) of the statutes excludes as manufacturing for property tax purposes all the

activities that the SIC Manual classifies as nonmanufacturing except for the five aforementioned exceptions. Manufacturing property includes lands and buildings, including warehouses, storage facilities and offices used in support of the manufacturing operation. Manufacturing property also includes all personal property owned or used in the activity. Personal property includes machinery and equipment, furniture and fixtures, computers, and supplies.

Please note: Property (land, buildings, machinery) purchased or constructed as a waste treatment facility used for the treatment of industrial wastes or air contaminants is exempt from property taxes as a waste treatment facility. Please contact your appropriate district office for further information.

CLASSIFICATION

5. How do I get classified as a manufacturer?

If you feel that you qualify as a manufacturer, you should contact the Manufacturing and Utility District Office for your area in writing on or before March 1. (See map) They may ask you to write a letter explaining your operation or make an appointment to visit you to discuss your operation. In addition, the Department reviews building permits and newspaper and magazine articles and contacts local assessors and potential businesses to discover new manufacturers.

6. I only lease to a manufacturer. Is this property still considered manufacturing?

Yes. As long as the property is used in the manufacturing activity, it is considered manufacturing property and will be assessed by the Department.

7. What if only part of my property is manufacturing? Will the state or the local municipality assess my property?

When real property is used for both manufacturing and some other purpose, the Department will determine the predominant use of your real property. If the predominant use is manufacturing, the Department will assess the real property. If the predominant use is nonmanufacturing, the real property will be locally assessed.

When real property is occupied by both a manufacturer and some other enterprise, the Department will assess the personal property of the manufacturer and the local assessor will assess the personal property of the other enterprise.

8. What is the impact of being classified a manufacturer?

Machinery and equipment used exclusively and directly in the manufacturing process is exempt from property taxes. However, to receive this exemption, you must be classified as a manufacturer by the Department. Local assessors cannot exempt manufacturing machinery and equipment.

9. Does this mean that all my personal property is exempt?

No. Only machinery and equipment used exclusively and directly in the manufacturing process is exempt. Machinery and equipment used for nonmanufacturing purposes; furniture, fixtures, and office equipment; and other personal property, such as supplies or leasehold improvements, are still taxable.

To initially obtain this exemption you are required to submit a Fixed Asset Listing identifying each asset, its original cost, its acquisition date, and whether it was reported as taxable or exempt in your M-P Form. If the Asset Listing is not provided, all assets will be considered taxable. The Asset Listing must then be maintained by you at your place of business or your accountant's place of business each year. If the updated listing is not available for our on-site inspections, the appraiser may assess a minimum of 20% of your assets as taxable.

Note: Effective January 1, 1999, computers and software as defined in 70.11(39) will be exempt from tax.

10. Is there a cutoff date for classification as a manufacturer?

Yes. To be classified as manufacturing, you must contact the Department in writing by March 1 of the assessment year, since that is the due date for the filing of the manufacturing property report forms (M-forms).

11. If I miss this cutoff date, will the Department give me a retroactive exemption for prior years?

No. You must be classified as a manufacturer by the Department for any specific assessment year. Any requests for classification as a manufacturer received after March 1 will be considered for the following year.

12. I have been classified as a manufacturer by the Department's Sales Tax Bureau. Does this automatically classify me as a manufacturer for property tax purposes?

No. The Sales Tax Bureau and the Bureau of Property Tax are guided by different laws and criteria for classifying an establishment as manufacturing. You must be classified

as a manufacturer by your District Manufacturing and Utility Office to receive the machinery and equipment property tax exemption.

13. The Department has denied me classification as a manufacturer. Can I appeal this decision?

Yes. First, contact your District Manufacturing and Utility Office to make sure that they have all the facts regarding your establishment. If you do not agree with their decision, you may appeal to the State Board of Assessors. Please refer to the APPEALS section of this booklet for information on your appeal rights.

ANNUAL ASSESSMENT

14. How does the Department determine the assessed value of my property?

The Department determines the market value of your property from a review of the manufacturing property report forms (M-forms) that you are required to file each year and from field reviews of your property and records which are made every five years. The following questions will explain the use of the M-forms and the field review procedures in more detail.

15. What are the manufacturing property report forms?

These are self-reporting forms on which you report the property you own and any changes to your property since the last assessment date. There are three forms: MR-which is used to report manufacturing real property; MP-which is used to report manufacturing personal property; and ML-which is used by lessors to report personal property leased to a manufacturer.

16. How can I obtain these forms?

M-forms are mailed in December to those establishments classified as manufacturers. If you have not received the M-forms by January 10, please contact your District Manufacturing and Utility Office (see map). The forms are also available on the Department of Revenue website.

17. When are the M-forms due?

M-forms are due March 1. You can receive an extension to April 1 by sending a written request to your District Manufacturing and Utility Office prior to March 1. The written request may be sent via first class mail, email or fax. See the map on page 9 for addresses and fax numbers. The extension request must include the Department of Revenue computer number of the property.

18. What if I file late, or don't file at all?

You will be subject to a penalty. If you fail to file the form by the due date or by any extension of the due date that has been granted, the Department will enter a penalty of \$25 if the form is filed one to ten days late; \$50 or 0.05% of the previous year's assessment, whichever is greater, but not more than \$250, if the form is filed 11 to 30 days late; and \$100 or 0.1% of the previous year's assessment, whichever is greater, but not more than \$750, if the form is filed more than 30 days late. In addition, if you do not file your M-form, you lose your right to appeal the assessed value of your property. The Department will not enter a penalty if the Department did not assess the property for the previous year. Penalties must be paid to the Department of Revenue within 30 days of their issuance to avoid interest charges and collection fees.

19. What if there are special circumstances that caused me to file late? Can I appeal my penalty?

Yes. If you feel that your failure to file on time is due to a reasonable cause, contact your District Manufacturing and Utility Office within 30 days of the issuance of your penalty notice. The Department may cancel or refund all or part of a penalty if it finds reasonable cause for filing late. Please see the Appeals section of this booklet for additional information on appeal procedures.

20. I have received more than one M-form. Do I have to file all of the forms that are sent to me?

Yes. Each M-form relates to a separate property. To avoid a penalty, you must file each M-form. In addition, if part of your property is located in a Tax Incremental Finance (TIF) district, you must file separate forms for these properties.

21. I represent a leasing company that leases personal property to manufacturers. Do I have to file with both the Department of Revenue and the local assessor?

If you lease personal property to a manufacturer, you must report that property to the Department. All personal property leased to non-manufacturers is reported to the local assessor. If you are not sure if the lessee is a manufacturer, you should contact your District Manufacturing and Utility Office.

22. Why does the Department need so much information about my property?

The Department does an on-site field audit of your property once every five years. During the interim years, we rely upon your reports (which you are required to submit pursuant to Sec. 70.995(12)(a) Wis. Stats.) to keep us aware of changes to your property which enable us to make fair, accurate assessments.

23. You mention a field audit of my property. What is a field audit?

A field audit is a physical inspection of your real and personal property that is conducted once every five years. It gives you the opportunity to point out your concerns regarding the condition and market value of your property. It gives us the opportunity to update our records to reflect changes to your buildings, land improvements, and to complete an appraisal of your real property. The field audit may also involve an inspection of your accounting records to ensure that your machinery and equipment is correctly classified as exempt versus taxable and to verify personal property data reported during the previous years.

VALUATION AND ASSESSMENT

24. You mention market value. What is market value?

Market value is the statutorily prescribed standard for valuing real property. It is what a property would ordinarily sell for at arms-length sale on the open market.

25. How do you determine market value?

Section 70.32(1) of the statutes says the assessor shall consider recent arms-length sales of the property to be assessed, if according to professionally acceptable appraisal practices those sales conform to recent arms-length sales of reasonably comparable property. When there is no recent sale of the subject property that conforms to sales of comparable properties, the assessor should consider sales of comparable properties. When there is no recent sale of the subject property or comparable properties, the assessor should consider other relevant data. This includes: costs, depreciation, replacement value, non arms-length sale of the property, sales of like property, income, industrial conditions, location, occupancy, book value, amount of insurance, and other factors.

26. What is an arms-length sale and its relationship to market value?

An arms-length sale of a property is a sale where both buyer and seller are willing participants, with neither compelled to act. The relationships between the parties, motives, and other circumstances involved in the sale are considered in determining if a sale is arms-length. To meet the standard of market value, an arms-length sale should also meet the following conditions:

- a. The property should be exposed to the market for a period of time typical of the turnover time for this property.

- b. Both buyer and seller should be knowledgeable about the real estate market.
- c. Both buyer and seller should be knowledgeable about the uses, both present and potential, of the property.
- d. Payment for the property is in cash, or typical of normal financing for this type of property.
- e. The sale should include all of the rights, privileges and benefits of the real estate.

27. How is personal property valued?

The standard for personal property is “true cash value” which essentially means the same thing as market value. Arms-length sales of personal property are extremely rare. Therefore, the Department has developed Composite Conversion Factors for groups of assets based on the assets’ useful life. These Factors include the effects of both appreciation and depreciation and when applied to the acquisition cost of the assets yield an equitable estimate of true cash value.

28. My property has not changed since last year. Why has my assessment changed?

The Department constantly monitors changes in the economy, such as inflation and industrial conditions, and changes in the real estate market. Although you may not have made any changes to your property, there may have been changes in these factors that have affected the market value of your property.

29. Will I be notified of my assessment?

Yes. The Department sends annual notices of assessment for each property it assesses. These notices are sent regardless of whether there is a change in the assessment.

APPEALS

30. What should I do if I think that my assessment is unfair?

You should first contact the Manufacturing and Utility District Office that made your assessment. In some cases, questions arise because of a mathematical error made either in the preparation or auditing of a return or because of a misunderstanding of the manufacturing assessment process. These situations can often be resolved by discussion with the District Office and eliminate the time and expense of a formal appeal.

31. I have talked to the District office and I still think that my assessment is unfair. What should I do now?

You should make a formal appeal of your assessment. You can obtain an objection form from your District Office. Make sure that you answer all the questions on the form and send the form along with a \$45 filing fee and supporting documentation to the State Board of Assessors at the address shown on the form within 60 days of the date of issuance of your assessment notice.

32. What happens at the State Board of Assessors?

The Board of Assessors will assign a manufacturing appraiser to your appeal. The appraiser will investigate our records, the information you provide, and related data and prepare a recommendation. The investigation may also include a physical inspection of your property. The Board does not conduct a hearing, but will review the recommendation and either approve it or ask for additional information. The Board will mail its determination to you. You may appeal the Board’s decision to the Tax Appeals Commission within 60 days of receipt of the Board’s decision.

33. What happens at the Tax Appeals Commission?

The Tax Appeals Commission conducts a hearing which provides you the opportunity to present evidence and cross-examine Department witnesses in a formal setting. You may appeal the Commission’s decision to Circuit Court.

34. Do I follow the same procedures for all appeals?

Yes. These procedures apply to all appeals including valuation, exemption, classification, and late filing penalties.

35. Can the municipality also appeal my assessment?

Yes. Both you and the municipality are notified of your assessment and can appeal it or any decision of the Board of Assessors or the Tax Appeals Commission. In addition, both you and the municipality are notified of any appeal by the other party and are offered the opportunity to provide information or to present evidence regarding the appeal.

Addresses of Manufacturing & Utility Offices Wisconsin Department of Revenue

Lake Winnebago District – Area 75
Manufacturing & Utility Office
845 South Main Street, Suite 140
Fond du Lac, WI 54935-6116
Phone: 920-929-2962
Fax: 920-929-7202
Email: mfgtel75@dor.state.wi.us

Southern District – Area 76
Manufacturing & Utility Office
Mailing Address: PO Box 8909, Mail Drop 3-424
Madison, WI 53708-8909
Street Address: 2135 Rimrock Rd.
Madison, WI 53713-1443
Phone: 608-267-2163
Fax: 608-267-1355
Email: mfgtel76@dor.state.wi.us

Metro District – Area 77
Manufacturing & Utility Office
Rm. 530 State Office Building
819 North 6th Street
Milwaukee, WI 53203-1682
Phone: 414-227-4456
Fax: 414-227-4095
Email: mfgtel77@dor.state.wi.us

Western District – Area 79
Manufacturing & Utility Office
707 South Barstow
Eau Claire, WI 54701-3894
Phone: 715-836-4925
Fax: 715-836-6690
Email: mfgtel79@dor.state.wi.us

Northeastern District – Area 81
Manufacturing & Utility Office
200 N. Jefferson Street, Suite 626
Green Bay, WI 54301-5190
Phone: 920-448-5191
Fax: 920-448-5210
Email: mfgtel81@dor.state.wi.us

